

PPA Health Insurance Fund

Managing Bureau: Office of Management and Finance, Bureau of Human Resources

Statement of Purpose: The PPA Health Insurance Fund provides funding for programs and services related to healthcare and other supportive benefits offered to members of the Portland Police Association and eligible participants (i.e. dependents, retirees, and Cobra participants).

Sources of Revenue: Revenue sources for the fund include premiums collected from the Police Bureau for their employees and premiums collected from retirees. Other sources include premiums collected from employees, administrative and other fees, and interest income.

Contingency Requirements: Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the fund.

Reserve Requirements: The fund maintains two reserve components.

- 1) The first component to the reserve is a restricted reserve covering the Incurred But Not Paid (IBNP) requirements. This component of the reserve is in accordance with standard industry practice and guidelines, and includes all liability components incurred but not yet paid. The recommended IBNP reserve is actuarially determined by the City's Health Fund Consultant.
- 2) In addition to the IBNP reserve, an additional Risk Based Capital reserve (RBC) has been set aside pursuant to National Association of Insurance Commissioners (NAIC) requirements. The four major components of RBC are: underwriting risk (insufficient premiums relative to expense), asset risk (default, reinsurance failure), credit risk (stop loss recoveries, fully insured medical, dental and vision premiums, ASO fees and prescription rebates), and business risk (expense overruns). Appropriate stop loss coverage will be maintained to manage large claims, and the City pays premium to its third party administrator for the coverage.
 - RBC policy sets appropriate limits regarding the use of any unallocated reserve dollars and sets a point at which recovery of fund balance needs to accrue. The Benefit Actuary sets the targets. For the PPA Fund any reserve surplus above 125% of RBC can be used as subsidy (buy-down) on future rate increases. Conversely, the policy also recommends targeting any reserve deficit below 75% of the RBC as the threshold by which the plan actuary would calculate a surcharge into future rate increases building up the RBC reserve to a fully funded level. **Disposition of Funds:** In the event the fund is closed, all remaining resources shall revert to the Health Operating Fund within a subaccount identified for PPA healthcare.